

CHAPTER-1

Introduction

During the period 1951-74 it was simply assumed that with the rise in the rate of growth of GDP, and with increase in infrastructure and industrial base, necessary changes in favour of poor will automatically follow. This "trickle down effect" did not materialise as the schemes were not formulated as per the felt needs of the people. The planning process had not been able to remove the inter groups and inter regional disparities, Sixth Plan, therefore, aimed at equitable distribution of gains from development process initiated through planned effort among the states.

The Sixth Five Year Plan (1980-85) of Government of India mentions following among its ten objectives:

- (vii) a progressive reduction in regional inequalities in the pace of development and in the diffusion of technological benefits:
- & (x) promoting the active involvement of all sections of the people in the process of development through appropriate education, communication and institutional strategies.

The backwardness in Bihar still persists despite decades of planned development in the country. Agriculture productivity in Bihar is lagging behind. The performance in regard to area under irrigation, fertilizer consumption and cooperative credit is unsatisfactory. The coverage under primary health service is far behind the national average. In some parts of Bihar infant mortality is as high as 115 as compared to the national average of 70 (though the State's average is at 63). The progress in complete immunization of children is quite poor and all the 37 districts in the state are much below the national average of 53.3 percent. The coverage of children getting complete immunization ranges between 14 percent to 50 percent of

the national average in as many as 31 districts of Bihar. On female literacy rate the percentage of one district of Bihar, namely Araria is in bottom of the country at 2.14 against the national average of 54.2. 12 Districts of Bihar have percentage of female literacy rate below 50 percent of the national average. All the 37 districts of this state, including capital Patna (52.17) have female literacy rate lower than the national average (54.2). against the national average percentage of safe delivery at 41.9, such percentage in Samastipur district is at the bottom of the country at 7.9. In 19 out of 37 districts in Bihar such percentage is below 50 percent of the national average in two districts i.e. Patna (49.7). In none of the districts of Bihar, the percentage of girls married below 18 years of age is lower than the national average of 36.8 percent. It is no surprise, therefore, that percentage of the current users of Family Planning method in Bihar is much below the national average of 48.1 percent. The highest in Bihar is recorded for Patna at 36.6. It is why percentage of birth order 3 and above is nowhere the national average of 43.9 percent, the nearest being Patna at 52.8 percent. The maternal mortality rate (1998) in Bihar is 452 against 28 in Gujrat and 407 of the national average.

Among all the states on parameters of overall literacy rate, literacy rate for male and literacy rate of females, position of Bihar at the bottom. Bihar's percentage share of illiterates in the country is 11.81 against its population share of 8.07 percent. The recent estimates in regard to number of poor show that in terms of both number and being the second highest in the county.

During Sixth Plan (1980-85) Bihar had achieved annual growth rate of 6.33 percent at 1970-71 prices. This growth rate however deteriorated to 3.09 percent during seventh Plan (1985-90) and it came down further to (-) 0.14 percent during the Eighth Plan period 1990-95. Bihar's development performance in the Eighth Plan showed serious deterioration extensively, amounting to a crisis in development. While Plan exceeded 6.5 percent, the average for Bihar had been hardly 0.5 percent, the lowest in the country. The collapse of growth has been a phenomenon of 1990s. The actual State Plan expenditure turned out to be less than 40 percent of the projected level during 1993-96. During these three years the State could not execute plan even of the size of the Central plan assistance. The relevant figures are shown in Annexure-I. The slippage in the Eighth Plan is evident from the fact that Bihar's per-capita plan expenditure as a percentage of all state average was about 59 percent in the Sixth Plan, it improved to over 69 percent in the Seventh Plan but declined sharply to 29.5 percent in the Eighth Plan.

The economy of Bihar (after bifurcation) is in shambles- with an estimated GDP growth rate of around 1 percent against the national average of 5.5 percent. The incidence of poverty is alarming at roughly 43 percent against the national average of 27 percent. The average NSDP growth rate has been roughly 4.5 percent in the early years-with primary sector contributing 1.9 percent per annum, secondary sector contributing 7.4 percent, and the tertiary sector contributing 8.2 percent. In recent years, average GDP growth rate has turned out negative due to complete stagnancy on all aspects of economic development.

With almost economic growth and ballooning population growth of 2.2 percent against national average of 2.1 percent, the level of per capita income has considerably gone down in recent years. Even in terms of urbanization, Bihar's level is at 10.4 percent as against the all India average of 25.7 percent. This again reflect the poor performance in industrialization of Bihar. The trend of urbanization in the state has slowed down, during the decade 1991-2001 as compared to the previous decade of 1981-1991.

The state also suffers from heavy floods each year. Roughly 56.5 percent of flood affected people in India live in Bihar. The allocations for flood control are particularly inadequate and unfair, since major causes of inundation cannot be overcome with state level effort alone. While the floods cause a serious setback to agricultural and other production, Initiatives to minimize the furies of flood has god to be concretised at the levels of Government of India and Government of Nepal.

The noticeable feature about Bihar's economy is its slow pace of effecting its structural pace. Despite decades of planned development, the contribution of manufacturing sector to the gross domestic product of Bihar has remained small and its ability to absorb the backlog of unemployment has been rather limited. Bihar's engagement in primary sector is estimated at 43 percent in comparison to 29 percent for India as a whole. The source of income from secondary sector is roughly 11 percent against the national average of 25 percent. The gap in tertiary sector is not much wider. This structural scenario reflects that bulk of Bihar's labour force continues to remain in the primary sector (78 Percent) Whereas all India reflect it at 65 percent. The secondary sector absorbs roughly 7 percent in Bihar and 14 percent for all India.

The state does not get investment benefit out of the savings of the people of Bihar placed with the banks as is evident from the ever decreasing Credit Deposit ratio which is presently around 20 percent against the minimum norm of 60 percent.

The conduct of all India Non-banking Financing Agencies has been even more unfair. It is estimated that approximately more than Rs. 2000 crore of funds are being collected from Bihar by these agencies. There is no attempt by them or any discipline for the purpose of investing a reasonable proportion of the funds not released in Bihar.

The state, by means of all socio-economic indicators, can be considered to be poorest in almost all aspects of socio-economic development and hence, the cycle of stagnation and poverty has widened.

The economic stagnation of Bihar is best symbolized by migration. The rural landless labour going to Punjab in the sowing and harvesting seasons is an old story. Now we witness the migration of a whole lot of artisans and semi-skilled and unskilled workers going out of Bihar in large groups and settling around the sites of construction in big cities in North India and even in interiors of U.P., Sikkim and Nepal. Students of Bihar are virtually being pushed out to colleges and universities outside Bihar where the schedules of examinations are being observed more regularly. The education unemployed have either to move out in search of jobs in the metropolitan centres or join the growing mass of the lumpen elements in the political activity.

Agriculture which is the backbone of Bihar's economy remains under performed due to lack of capital formation, inadequate research and extension facilities and non performance of the entire service delivery system including credit, input, storage and marketing facilities. The key to Bihar's growth performance in agriculture is extensive irrigation development and availability of package of technological inputs complemented by support service and facilities. Wherever in Bihar irrigation along with new input technologies have been provided, farmer's productivity performance has been at par with the national performance. The Bihar's farmers have the entrepreneurship to modernize agriculture, if proper incentives services and facilities are provided to them. But continuing poor public and private investment in agriculture has contributed to lower yield realization and crop intensity in Bihar as compared to other states of India.

The objectives of the Ninth Plan for providing the basic minimum services of safe drinking water, primary health care facilities, universal primary education, shelter and connectivity to all, extension of mid-day meal programme in primary schools to all rural block and urban slum and disadvantaged sections and streamlining of Public Distribution system in a time bound manner was in the direction of equity promotion role of Planning Commission. Special central assistance had been given for implementation for these seven basic minimum services with a view to ensuring that the assistance being an additionality, the state would be able to provide at least 15 percent of the special centrally assistance of BMS as their share over and above their normal provisions for these schemes. However no renewed effort to remove the gaps in the prevailing in Bihar thus has remained out of bounds.

Supply of safe drinking water facility is one of the seven basic needs. Bihar could not utilize central funds meant to provide drinking water facility in rural areas. The centrally sponsored and externally assisted (world bank and UNICEF) District Primary Education Programme (DPED) was introduced in Bihar in October, 1997 in 17 education districts (27 revenue districts) for operation till 31st March, 2003. it aimed to reduce difference in enrolment, learning achievement between gender and social group to less than five percent, to reduce overall drop-out rates for all the students to less than 10 percent, to raise average achievement rate by at least 25 percent in basic literacy and numeracy competency and 40 percent in other competencies in primary school children. This scheme failed to sprout and show results because even in 1997 only 38 percent (Rs. 177.05 crore) of the budget provision (Rs.309.19 crore) was released by the Centre and State Government of India and State Government released funds after delay of 5 to 11 months during 1997-2000, as a result of which heavy shortfall in performance of various components of the programme occurred.

The performance of Bihar during Eighth Plan and Ninth Plan is characterized by less spending and non utilization of Plan funds. Eighth Plan performance was only 46.72 percent (Rs. 5404.97 crore) against the outlay of Rs. 11569.34. This expenditure indicated near absence of State's own resources of meet the expenditure because the central assistance (Rs. 4870.06 crore) covered 90.66 percent of the Eighth Plan expenditure. The situation has been slightly improved during Ninth Plan. During this period Central assistance (Rs. 8831.81 crore) received by the State from Planning Commission accounted for 87.8 percent of the actual expenditure (Rs. 10064.74). The actual expenditure during Ninth Plan was only 71.6 percent of the original outlay. Thus in last decade State's own resources for

meeting the plan requirement deteriorated with the rise in the State's fiscal and revenue deficit; this situation therefore, characterize the state to be considered as a special category state.

The per-capita income of Bihar at constant prices (1980-81) was Rs.917 in 1980-81. It rose to 983 in 1998-96 i.e., a rise by 7.6 percent in 15 years. The per-capita income at constant price for the special category State of Manipur rose from Rs. 1419 (1980-81) to Rs. 1993 in 1995-96, i.e., a rise by 40.5 percent in 15 years. Similarly for another special category State namely Himachal Pradesh, The rise in per-capita income in this period was 40.8 percent (it rose from Rs.1704 (1980-81) to Rs. 2518 (1995-96), The per-capita income at current price of Bihar in 1999-2000 is Rs. 6328. The per-capita income at current price of special category state Himachal Pradesh is Rs. 15012 which is 2.4 times that of Bihar. Similarly the per-capita income of another special category state Manipur is Rs. 11370. This is 1.8 times of Bihar's per-capita income. Thus the rise in population and absence of economic growth have pushing back growth prospects of Bihar. Presently 30 percent of the total resources available for plan assistance to states are earmarked for these special Category States which account for only 5.36 percent of the population of the country. About one-third of the total central assistance to the states given in any year is not subject to the basic tenets of Gadgil Formula for assistance viz., population, low levels of per capita income etc. Indeed, the earmarking of the one-third of the assistance for the special category states in effect operate contrary to these tenets and create iniquitous sharing of fruits of developments and has thus affected states like Bihar.

The approach paper of the Tenth Five Year Plan has also recognized that, "although the economy as a whole has accelerated, the growth rates of

different states have diverged and some of the poorest states have actually seen a deceleration in growth. It further states that, it is important to recognize that the sharp increase in the growth rate and improvement of social indicators that is being contemplated for the Tenth Plan is possible only if there is a significant improvement in the growth rates of the slow growing states". Significant improvement in the growth rate of Bihar in the existing scenario appears difficult. Such targets of Tenth Plan like reduction in decadal rate of population growth between 2001 to 2007 to 16.2 percent and increase in literacy rate to 75 percent within the plan period under prevailing circumstances appear difficult to achieve in Bihar. Improving the delivery system, debureaucratization of existing system of plan implementation and complete association of PRI in process of development from formulation stage to execution stage can create ground for achieving these set goals of tenth plan.

This does not require heavy monetary investment. It requires only political will and public support, because the infrastructure to achieve these targets already exist but are miss-utilised and have been made non-functional in Bihar.

There is already a noticeable widening gap between Bihar and rest of India. This does not auger well for India's overall sustainable economic development. If Bihar suffers, India does suffer.

However, the path of growth requires raising of state's own fiscal resources; in absence of which it cannot generate income from its vast water and human resources. Bihar's utilization rate of all development funds is currently estimated at 25-30 percent in contrast to 90-95 percent in earlier years. This scenario is explained by inability of state to contribute it matching share for utilization of development funds. The deterioration in states economy significantly during nineties onwards is large due to its

shrinking fiscal resource base. This situation can be salvaged by fullscale association of functionaries of Panchayat Raj Institutions in the process of development for exploiting available local resources.

No enduring result can be achieved in promoting the development of any area, or of any section of the population living therein, without giving due attention to the development of human resources and the production potential of the area, and build up of basic physical and social infrastructure required. Rural development programme is essentially a plan of action for the development of an area or areas which are lagging behind in socio economic development due generally to prevalence of very low levels of literacy and education, and heavy dependence on primary production viz, agriculture, animal husbandry, fishery etc; and where the distribution of productive assets, such as land, is highly skewed (giving rise to serious disparities in income levels), social status and development of social and physical infrastructure is lagging behind. We consider, therefore, that a plan of programme for development of rural areas in the state of Bihar should comprehend the following elements:

- (i) Development of human resources including
 - (a) Literacy, more specially female literacy, education and skill development,
 - (b) Sanitation and public health measures;
 - (c) Family limitation,
- (ii) Development of the productive resources of the area.
- (iii) Infrastructure development.
- (iv) Special measures for alleviation poverty and bringing about significant improvement in the living conditions of the weaker section of the society;
- & (v) Land Reforms.